

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2039-01
Bill No.: HB 840
Subject: Revenue Department; Licenses - Driver's
Type: Original
Date: April 12, 2013

Bill Summary: This proposal requires the Department of Revenue to indemnify local fee offices if, during the course of its official duties and pursuant to state law or regulations, the fee office is sued.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Office of Administration - General Services** state that this proposed legislation would increase the state's liability exposure significantly by taking on the risks of actions made by the local fee agents and their employees. Such exposures could include human rights acts claims, general liability, employment discrimination, workers' compensation, and business risk claims. In addition, because these individuals are not employed by the state they would not enjoy the immunities afforded to the state by the sovereign immunity statutes.

Officials from the **Department of Revenue** state that this legislation will have an unknown impact on the Department. This bill appears to be broad enough to make the Department of Revenue liable for a number of proceedings that may be brought against the license office, including damages caused by negligence of fee office employees that occur while acting in their official duties.

ASSUMPTION (continued)

Currently, the license office contract requires the license office contractor to purchase liability insurance to cover liabilities in connection with or arising out of any action, suit, or proceeding if the fee office was acting in the course of its official duties. This cost of indemnifying 182 license offices is unknown but could be significant.

Since the number of proceedings that may be brought against the license offices is unknown and the cost of indemnifying the license offices is unknown, **Oversight** will range the cost to the Department of Revenue as \$0 or (Unknown).

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Cost - DOR</u>	\$0 or	\$0 or	\$0 or
Indemnifying local fee offices	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business fee offices would be given a level of protection by this proposal.

FISCAL DESCRIPTION

This proposal specifies that the Department of Revenue must indemnify and hold harmless any fee office for any liabilities, including attorney fees, imposed upon the fee office in connection with or arising out of any action, suit, or proceeding if the fee office was acting in the course of its official duties and pursuant to state law or department regulations or rules.

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Administrative Rules
Office of the Secretary of State
Department of Revenue
Office of Administration



Ross Strobe
Acting Director
April 12, 2013